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7 July 1960

MEMORANDUM FOR: General Cabell:

SUBJECT : Estimated Foreign Intelligence Costs

As the Report on Estimated Foreign Intelligence Costs for FY-1959 may be returned for USIB consideration during my absence, I would like to offer the following comments for the record:

a. The military members of the Cost Estimates Committee have apparently found it an impossible job to reconcile or adequately explain the disparities between their estimated costs, particularly with respect to the Auxiliary Activity (support) costs. Nor have they found the use of Explanatory Notes to be very helpful because they simply add to the confusion, as one Service puts in an explanation for an item and the others do not. In general, they appear to believe that these Notes tend to promote more questions than they answer.

b. In light of the above, the military services are going to achieve a type of "uniformity" by having all of them integrate their Auxiliary Activity costs among the Collection and Production items and show all Production costs under a single heading. The exceptions are the Joint Staff, who will continue to break out their costs in all appropriate categories, and the OSO/OSD, who have no cost items other than those in the Auxiliary Activity (support) category. They will have no individual Explanatory Notes but a single blanket statement indicating their reasons for presenting the FY-1959 data on this "integrated" basis.

c. The only profitable result of the past twelve months of effort on this cost estimates problem has been that for the first time people have taken a real hard look at the data, fully understand its inadequacies and the difficulties involved in developing really meaningful cost estimates on a community basis.

d. To me, the basic issue is quite clear. If the DCI and the USIB want cost estimates data that will be useful as a management tool to aid them in carrying out their NSCIB responsibilities, the data will have to be developed in whatever degree of detail is necessary for that purpose, and it must be uniform -- all reporting agencies must develop and present their data on the same basis. If we are not going to do this, coordination of the data is a useless exercise, and we should go back to the old system of unilateral reporting to the BOB and President's Board.

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e. If we are going to try to devise a method for developing and reporting meaningful data for FY-1960 and future years, the man responsible for running the activities being "coated" must get into the act. The Collection, Production, and Support chiefs must get together and agree upon the activities for which estimated costs should be developed, define those activities so all concerned will have a common understanding of them, and develop a uniform method for estimating those costs where arbitrary allocations are required (especially on "indirect" costs that are not paid for out of identifiable "intelligence" funds).

f. Currently the Coordination Subcommittee of the Cost Estimates Committee has been given the job of coming up with new ideas for the development of more meaningful data covering FY-1960. This Subcommittee will not, in my judgement, be able to do a worthwhile job unless:

(1) The USIB definitely make up their minds that they do want to have meaningful cost data that can be used by them as a management tool.

(2) The Subcommittee receives specific advice, guidance and support from the Collection, Production and Support chiefs (or their equivalent) acting on a joint basis; the latter point is essential to ensure the maximum degree of uniformity within the community in this effort.

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Chairman, Coordination Subcommittee  
Cost Estimates Committee

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cc: [redacted]  
Mr. Saunders

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